



City of San Diego  
**CARL DEMAIO**  
CITY COUNCILMEMBER –DISTRICT 5

## MEMORANDUM

DATE: May 25, 2011

TO: Andrea Tevlin, Independent Budget Analyst

FROM: Councilmember Carl DeMaio *Carl DeMaio*

RE: Budget Priorities and Issues for Consideration for the FY 2012 Budget

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Since taking office, my number one priority has consistently been to fix the City's finances. Our priorities must be focused on making City services more cost effective for taxpayers, and protecting them from additional cuts. If we enact prudent and necessary fiscal reforms and manage our resources prudently we can protect services such as public safety, libraries, and parks.

To achieve those goals, in November 2010 I released my *Roadmap to Recovery* to provide a comprehensive plan to balance the budget without service cuts.

It is very encouraging that so many people around San Diego have embraced the reforms and budget options that I offered in this plan. A number of the options for the FY 2012 that I presented in the *Roadmap to Recovery* have been recognized by the IBA and implemented by the Council in recent weeks as being among a number of priority options for inclusion in the FY 2102 Budget.

I am pleased to see that the Mayor's May Revision restores browned-out fire stations and recreation center hours. It does not, however, go far enough in restoring library hours. All hours should be restored to current levels at all libraries across the City.

Consistent with the *Roadmap to Recovery* I offer the following catalog of budget options for inclusion in the IBA's final report on recommended changes to the Mayor's proposed budget.

### **Eliminate Management Flex Benefits, Including the City Council Offices (\$1.4 million)**

As I first proposed in January 2009, I support the elimination of management "Flex Benefits."

The City Council can lead by example, and I have no reservations about eliminating these benefits for our City Council offices.

City employees receive benefits unheard of in the private sector. And executives, managers and City Council employees receive a generous \$3,000 annually to fund health, dental, and vision care, as well as individual retirement accounts.

I do not believe that this benefit is necessary to attracting and retaining talent. Especially in this tough economy, San Diego taxpayers should not be expected to shoulder generous compensation packages that they themselves cannot receive in the private sector.

### **Create a City "Office of Management and Budget" (\$1.6 million)**

In the *Roadmap to Recovery* I proposed the creation of an Office of Management and Budget, to consolidate and coordinate various management functions in the City and to achieve cost savings. This reform would expand project management capabilities. It would reduce positions in other offices and achieve General Fund savings: City Treasurer (\$61,216), Administration (\$1.5 million), Business Office (\$209,467), and Office of the Assistant COO (\$246,026).

### **Consolidate "Management Analysts" (\$1.5 million)**

The OneSD system provides both the Financial Management Department and analysts in each department access to the same information. There are, thusly, unnecessary redundancies in monitoring departments. Consolidation of analysts could begin in smaller and mid-sized departments and extend to larger departments in the future. A reduction in 20 department analysts would save \$1.5 million.

### **Reduce Press Aides and Public Information Officers**

In the *Roadmap to Recovery* I proposed consolidating all Public Information Officers in the departments, excluding Police and Fire-Rescue, into an Office of Community and Legislative Services. We cited 19 designated press and public relations staff in the City, and noted that there are even more staff and contractors involved with public affairs. This reform would not only produce cost savings, it would also improve the City's communication to the media and the public. Savings could top \$100K a year.

### **Expand Marketing Partnerships (at least \$500,000)**

Last year my office proposed expanding marketing partnerships in a white paper titled "Generating Revenue by Expanding the City's Marketing Partnerships," and later included this reform proposal in the *Roadmap to Recovery*. The Council included this reform in its menu of options presented to the Mayor. The IBA has now endorsed this proposal for the FY 2012 budget.

The General Fund savings is conservatively pegged at \$500,000, though greater savings could probably be achieved, perhaps double that amount.

Clear opportunities exist to expand advertising partnerships at our beaches. Accordingly, I have proposed allocating the revenues from these partnerships to protecting lifeguard services.

#### **Reduce Training and Travel for Non-Public Safety (\$500,000)**

Recognizing that there are legitimate reasons for travel and training costs for City employees, I propose eliminating half the amount for these purposes of what the IBA recommends. There is approximately \$1 million in the FY 2012 Proposed Budget from the General Fund for non-public safety travel and training. Eliminating half of this budgeted amount is prudent, and recognizes that there are valid expenses for these purposes in some departments.

#### **Reduce Arts & Culture Funding by 25% and Reduce Arts and Culture Commission Staff (\$1.8 million)**

In the *Roadmap to Recovery* I proposed reducing Arts and Culture grants by 25%. There are two grant allocation programs, the Organizational Support Program (OSP) and the Creative Communities San Diego (CCSD), for which the Commission for Arts and Cultures is responsible for making recommendations.

I also proposed reducing the Commission staff to one Executive Director and Administrative Aide. Furthermore, grants should be targeted on the organizations where they will have the greatest and most beneficial impact. It is not the proper role of these grants to add funding where they will merely be lines in an already expansive budget.

The arts and cultural activities are supported around our city by engaged nonprofit organizations and individuals. At this time of considerable fiscal challenges, the City should focus tax dollars on the priorities that government is uniquely positioned to provide. I recognize the value of our City's support for arts and culture, and propose that we revisit these reductions when necessary fiscal reforms have been implemented to place our City on a more solid budgetary footing.

#### **Reduce Information Technology (IT) Discretionary Funding 20% (\$1.5 million)**

I support a reduction in non-public safety IT discretionary funding by 20%. It is necessary to distinguish discretionary budget items from non-discretionary, and to limit

discretionary items where appropriate. I believe that this reduction is prudent and will not compromise the City's ability to deliver services.

### **Engage in Managed Competition or Direct Outsourcing for Priority Functions**

I proposed in the *Roadmap to Recovery* jump-starting managed competitions for specified City functions. I am pleased the City has moved forward with the print shop and publishing, street sweeping, and Information Technology (IT).

I have additionally proposed managed competition for trash collection, maintenance in Parks and Recreation, facilities operations in Parks and Recreation, beaches and shoreline maintenance, park and buildings maintenance in Parks and Recreation, facilities in General Services, and fleet and auto maintenance. We estimate the potential savings from managed completion or outsourcing for the additional functions at \$8.7 million, if the transition of functions occurred no later than January 1, 2012. We also assumed an estimated timeline of 12-14 months.

The City has a number of opportunities to produce savings through managed completion. These savings should be realized in a reasonable timeframe. The managed competition process should not take as long as we have seen it take. It should not take a year and a half. The process can and should be accomplished in 90 days.

### **Cut the Mayoral and City Council Budgets by 10% (\$1.6 million)**

In the *Roadmap to Recovery* I proposed cutting the mayoral and City Council budgets proportionally. It is important that the Mayor and the City Council lead by example.

### **Use Proceeds from World Trade Center Sale for Road Repairs (\$2.5 million)**

We can and must also fix and properly maintain our aging infrastructure. I propose using \$2.5 million from the sale of the World Trade Center (WTC) to road repairs in FY 2012. Roads all around our City are riddled with potholes, and are in a general state of disrepair. We have to make fixing our roads and filling the potholes a top priority.

The Mayor's proposes in the May Revision using these WTC funds to pay down principal on capital improvement bonds, and the IBA proposes using them for Convention Center debt service costs. Respectfully, I believe using the WTC funds in these ways constitutes a shell game. Money is being moved around and nothing new is actually created. I believe a higher priority for these funds lies elsewhere. Fixing our roads needs to be a top priority, and the work that the people of San Diego expect to get done must get done.

### **Redevelopment Agency Debt Repayment (\$1 million)**

The IBA has properly identified a potential opportunity for the Redevelopment Agency to pay \$1 million to \$2 million of the General Fund debt held pursuant to the Loan Repayment Agreement approved in February. We must be prudent with the use of

General Fund monies, and recognize opportunities that may exist to relieve General Fund obligations.

### **Implement and Expand Recovery and Revenue Auditing (\$1,500,000)**

In the *Roadmap to Recovery* I recommended implementing recovery auditing. The IBA has endorsed this proposal for the FY 2012 Budget. Some of the amounts in the City's accounts payable include overcharges for goods or services provided, payments for services not rendered, duplicate payments, or identify credits from vendors that were not applied. Recovery auditing is the post-payment review of accounts payable with the goals of identifying overpayments and recovering funds. Recovery auditing is common in the private sector.

In response to a request from our office, the City Auditor identified options for the City to expand its use of this practice. The Auditor further suggested opportunities for the City to contract outside firms for this function. We believe that \$500,000 could be generated from recovery auditing.

Additionally, we estimate that expanding revenue audits could generate \$1,000,000. The City Auditor should be authorized to perform more robust and expansive audits on the City's major revenue sources.

### **Restore Brownd-Out Fire Stations by Applying Cost Savings with Alternative Staffing Models (\$4 million restoration)**

There can be no priority higher for our City than public safety. I support taking measures to restore brownd-out fire stations. However, we can achieve cost savings by examining possible alternative staffing models.

The Mayor is proposing the wrong approach to restoring brownd-out fire stations by using overtime which costs taxpayers \$9 million a year. The Mayor's proposal would have our City return to this costly vehicle for funding essential services.

My office has released information showing the wide disparity between compensation in the City's Fire-Rescue Department and compensation in comparable public safety positions in San Diego County. Alternative staffing models that match the fact that most emergencies are not fire-related could potentially reduce costs without any compromise of public safety.

## **Missed Opportunities**

There are a number of good budget options available, as described above. However, other opportunities for meaningful and significant fiscal reforms that I presented last year in the *Roadmap to Recovery* are no longer available for the FY 2012 Budget the Mayor

and City Council have failed to act. It is regrettable that the opportunity to achieve these reforms in labor contracts has been missed for the time being.

### **Implement a 2% General Salary Reduction for Non-Public Safety, and Freeze Base Salaries for Five Years**

A general salary reduction and freeze not only would have saved several million dollars alone.

### **Reform "Specialty Pays"**

Last year in the *Roadmap to Recovery* I recommended eliminating some of the "specialty pays" that City employees receive. "Specialty pays" boost City employee earnings above their base salary, and even boost their pension payout.

There are some specialty pays that I proposed eliminating, and other specialty pays that may have merit but that could be reformed to pay a flat rate instead of a percentage of base salary.

I proposed eliminating the firefighters' EMT pay (\$5.4 million), the Fire Administrative Assignment pay (\$719,348), and the Master Degree Library pay (\$262,397). I also proposed a \$1.5 million reduction in the specialty pays in the Municipal Employees Association (MEA) contract.

### **Reform Holiday and Leave Policies**

Labor contracts allow City employees to receive "pay in lieu of leave" every year. In FY 10, according to preliminary close out reports, more than \$5.1 million in General Fund payouts occurred due to this policy. I proposed in the *Roadmap to Recovery* capping the accumulation of personal leave hours, and mandating in all labor contracts that any future leave time accrued may only be paid at the time of termination of employment.

### **Expand the Use of Volunteers**

We can reduce costs in various City departments by expanding the opportunities to involve volunteers. It is a real shame that labor unions have actively fought against efforts to incorporate willing volunteers into the business of our City. We see the commitment and dedication of San Diegans every day to chip in and help our City run. We need to remove the unnecessary barriers that exist to bringing volunteers in to help provide City services where appropriate.

## **Fixing the City's Financial Problems**

It is clear where our priorities as a City must lie. We cannot allow service levels to be threatened by cuts because some would have us avoid necessary fiscal reforms. The *status quo* is not good enough.

I am pleased by the progress that the City Council has made in identifying and pushing good solutions to our City's budget deficit. We have made progress as a body since I offered the *Roadmap to Recovery* last November. We still need to implement serious reforms for the City to finally emerge from its longstanding fiscal mess. It's my hope that the Mayor and my Council colleagues will join me in finally overcoming our ongoing fiscal problems.